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The Classification and Distribution of Expense in Retail Stores

**Report of Committee of
The National Retail Dry Goods Association**

VOLUME I

**Notes, Explanations and
Instructions**

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Report of Committee appointed by Meeting of Members of The
National Retail Dry Goods Association in New York on April 25th,
1916, to study and report with recommendations on the question of
Standardizing Expense Distribution.

COPY OF LETTER READ AT ANNUAL CONVENTION OF THE NATIONAL
RETAIL DRY GOODS ASSOCIATION, FEBRUARY 15th, 1917.

Cleveland, February 14, 1917.

The National Retail Dry Goods Association,
33 West Forty-second Street,
New York City.

Attention Mr. E. L. Howe, Executive Secretary

Gentlemen:

In thus formally presenting to the Convention the report of the Committee on the Subject of the "Classification and Distribution of Expense in Retail Stores," the Committee desires briefly to call attention to the course of events which led to the making of the report.

Upon call by President F. H. Rike and Secretary E. L. Howe, there assembled in the City of New York on April 25, 1916, a number of merchants, to discuss the question of expense distribution, in the hope of arriving at some basis of standardization, which would ultimately be recognized by stores throughout the country.

After a most interesting discussion, at which all phases of Department Store Organization and Accounting were taken up, a Committee of Five was appointed by President Rike to study and report recommendations covering the question of standardizing expense distribution. At this same meeting there were present also Mr. Belt of the Federal Trade Commission, and Mr. Dillman, representative of Ernst & Ernst, the Association Accountants, and we take this occasion to acknowledge gratefully the cooperation of Mr. Belt, and the advice and services given, without cost, by Messrs. Ernst & Ernst.

The first meeting of the Committee was held in Cleveland on May 9, 1916. At this meeting the work was laid out in such a way that each member of the Committee contributed his share. Later conferences were held in Cleveland, New York, and Indianapolis, and the final draft was prepared and printed in Cleveland.

The Committee has kept constantly in mind that the prime object of the Association in suggesting this work was to establish a basis of understanding between the stores, so that in conversing with one another, or comparing statistics of operation, the terms used and the meaning attached to them would be identical to all. In other words, as our President put it, "all of us would speak the same language."

With this in view, we deemed it more important to suggest to the membership that which would be acceptable to the greater number, rather than to build a technically perfect structure which would not be generally accepted. The Committee expects that

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The National Retail Dry Goods Association,
100 East Harris-Street, Chicago,
Ill., U.S.A.

Attest: _____

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In the following statement to the Commission, the report of the Committee on the subject of the "Industrial and Agricultural Revolution in Latin America," the Committee desires briefly to call attention to the course of events which led to the making of the report.

When called by President F. M. Wise and Secretary T. J. Lyons, who were seated at the City of New York on April 25, 1906, the following persons, to discuss the question of extending the right of suffrage to some extent of representation, which would be necessary to secure the country.

After a most interesting discussion, at which all phases of Departmental work were discussed, the following were the main points of interest:

[illegible][illegible]

With this in view, we desired to have the first test of the new machine made in the laboratory of the Bureau of Standards, which would be acceptable to the Government and the public. The test was made on the 10th of January, 1910, and the results were as follows:

Cleveland, February 14, 1917.

general agreement on all of the points presented in the report is not probable. It is earnestly hoped, however, that all will cooperate in accepting the principle of standardization, by being willing to concede minor details of operation and accounting, in order that the project may receive the support of the entire membership. Perfection must not be hoped for in this first step towards standardization. The completed report represents the thought of men in widely separated business sections of the country. It has been tried out during the past year in at least two of the stores, and has been found practicable.

Those establishments which desire to conform to the principles laid down in the report need not necessarily reconstruct their entire accounting systems. While this is, of course, desirable a satisfactory basis for comparison will be obtained if the merchant will carry the items of expense in sufficient detail so that they may be reassembled under the proposed classification.

The Committee earnestly hopes that every member will give thoughtful consideration to this report, and allow time for reflection before passing final judgment. Certain it is, that when the individual members of the Association, in their own businesses have adopted the standard method of distributing their expenses, the National Retail Dry Goods Association will have accomplished one of the most important steps in its history. This is but a beginning; it is our belief that the Association should continue this work, extending it to all phases of retail accounting.

Respectfully submitted

(Signed) THE COMMITTEE

C. E. Applegate, Auditor,
The Lasalle & Koch Co.,
Toledo, Ohio

E. J. Frost, V. P.
Wm. Filene's Sons Co.,
Boston, Mass.

C. B. Clark, Controller,
The J. L. Hudson Co.,
Detroit, Mich.

V. C. Kendall, Sec.,
L. S. Ayres & Co.,
Indianapolis, Ind.

Jay Iglauer, Sec.,
The Halle Bros. Co.,
Cleveland, Ohio
CHAIRMAN

• 1701, 18 years ago, 18 years ago

Their recommendations were based on the fact that the system was not necessary for the purpose of the investigation. The system was not necessary for the purpose of the investigation. The system was not necessary for the purpose of the investigation.

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STATION 517 (2000-02)

Baron, James
W. V. Jones & Sons Co.
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London, Ohio
The Cassell & Scott Co.
217 E. Appleton, Auditor

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The J. L. Hudson Co.,
Detroit, Mich.

THE WHITE HOUSE
WASHINGTON, D. C.

ERRATA

Vol. I

VOLUME I INDEX PAGE:

The item, "Direct Payroll," should be eliminated and the letter in parentheses (d) should be placed opposite the next item, and each succeeding index item should be moved up one place, opposite the correct index letter to which it belongs. Thus, the letter (l) appears with the item, "Number of Packages," and the letter (m) is entirely eliminated. This error is in the index only, and is correctly arranged in the report proper.

VOLUME II PAGE 5:

The letter (d) should appear in parentheses after item "#395--Repairs."

VOLUME II PAGE 12:

Note: In the Delivery Report on Page 12, the letters in parentheses shown after each item, are used to identify the detailed expense items in the lower half of the report, with the general items in the upper half. These index letters should not be confused with those used in the main classification for the purpose of indicating the method of distribution.

Cincinnati, February 11, 1917.

General agreement on all of the points mentioned in the report is not probable. It is extremely doubtful, however, that any will operate in accepting the principle of standardization, by which it is to be conceded since the date of standardization, to the effect that the project may involve the amount of the entire cost. Perfection may not be proved for in this first step, it is standardization. The committee report is not the final report, it is only a preliminary report. The committee is not the final committee, it is only a preliminary committee. The committee is not the final committee, it is only a preliminary committee. The committee is not the final committee, it is only a preliminary committee.

These establishments which desire to conform to the standardization laid down in the report need not necessarily reorganize their entire accounting system. This is an obvious, desirable, and necessary basis for standardization will be obtained if the members of the committee are willing to accept the standardization of the report.

The Committee earnestly hopes that every member will give his personal consideration to this report, and allow time for reflection before making final judgment. Standardization is, that when the individual members of the Association, in their own business, have adopted the standard method of distribution, their business, the standard method of distribution, will have been standardized and the most important step in the history. This is not a preliminary step, it is our belief that the Association should consider this work, standardization is the primary of retail accounting.

Respectfully Submitted

(Signed) THE COMMITTEE

E. J. Fisher, V. P.
The Ohio State Co.
Cincinnati, Ohio

W. B. Fisher, V. P.
The Ohio State Co.
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THE EXPENSE PROBLEM

The expense question is one of the most difficult and vital problems confronting the Retailer. It has always been a difficult and vital problem and is likely to continue to be for many years to come.

While no figures are available to indicate the exact situation, it is altogether probable that the costs of operating retail stores have increased and are increasing from year to year. Every wideawake merchant is anxious to reduce his Expense Expenditures to a minimum consistent with fairness to his working force and good service to his patrons. Nothing is more essential to a successful operation than the maintenance of a proper relation between the running expense and the volume of business.

No merchant really knows what his Expense rate ought to be. He has nothing but his own experience to guide him, and the manner in which that experience has been recorded does not permit of ready comparison with the records of his fellow-merchants.

So many factors enter into the problem which have not been classified or analyzed that it is quite impossible to answer the question in anything but general terms or in average percentages, which are almost worse than useless for practical purposes.

The average expense of conducting the business of the larger retail stores in the United States probably is somewhere between 20% and 30% of the net sales. This is a broad and general statement and does not take into account the extreme examples of either high or low expense rates.

It is obvious that a store with a 30% expense rate cannot successfully compete with a neighboring store which has an expense rate of 20%. The development of

the many so-called service features in the principal stores of the larger cities of the country, together with the high rental charges for choice locations and extraordinary advertising expenditures must of necessity have added to the profit burden exacted in addition to the original cost of the merchandise ordered for sale.

The large number of failures in retail establishments are due in a marked degree to a lack of understanding of the necessary expense expenditures involved in successful retail distribution. In turn, this lack of understanding is due to an almost utter absence of statistics covering the expense of conducting retail stores.

Thus far attempts to compile comparative figures for the purpose of establishing standards of good performance have been surrounded with great difficulties, owing to the wide variance in the definitions of terms used and in the methods of distribution.

PURPOSE OF THE REPORT

The purpose of this report is to suggest to the members of the National Retail Dry Goods Association and others, certain methods and standards which appear to be practicable in order that the subject may receive the attention which its importance clearly warrants. It is hoped that criticisms and suggestions will be forthcoming which will lead to necessary revisions, and finally to a general acceptance of standard methods of classification and distribution of expense expenditures.

This report does not pretend to be, and is not intended to be, a manual of accounting practice for retail stores. The committee has endeavored to formulate that which would be of value to the greatest number, rather than that which would be technically perfect.

As will be noted in the following pages of this Volume, and in Volume II containing certain standard forms, no attempt has been made to prescribe accounting methods; this report is confined to the Problem of Expense Classification and Distribution.

THE FACTORS INVOLVED

While the instructions to the Committee contemplated only the question of Standardizing Expense Distribution, we found that the problem involved a study of—

- (a) The classification of Expense Expenditures.
- (b) The distinction between direct and indirect expense.
- (c) The methods of distributing or charging indirect items to departments.
- (d) Items considered by some stores as a proper part of the cost of merchandise and by others as a proper charge to expense.

DIVERSITY OF PRACTICE

This study revealed an unexpected diversity of practice in different stores on all points, to which it does not seem necessary to refer in detail at this time, except to say that your Committee was more than ever convinced of the need of standard statistical practice in every retail store, if comparisons of expense figures and other essential information are ever to be made possible. It is a matter of common experience with every merchant when discussing figures with another merchant to find that their bases of making up figures vary so much that the resulting percentages do not tell the real story. For this reason, your Committee has proceeded to devise the *Standard Forms* shown in Volume II.

ARRANGEMENT OF REPORT

The report is presented in two volumes—Volume I containing the report proper, including such notes, explanations and instructions as were thought necessary to illustrate the points involved. Volume II contains the proposed Standard Forms.

It is so divided as to make possible the use of the forms in Volume II in connection with the notes, explanations and instructions in Volume I, which would not be possible if the complete report were combined in one volume.

Before studying the detailed classification in Volume II, it will be well for everyone, but more especially those whose accounting systems do not require a maximum of detail, to examine the Chart shown on Page 17, Vol. II. This chart presents quite clearly the proposed grouping of the natural expense items under five broad, general headings. This will serve as a basis of operation for even the smallest store. Each establishment may amplify these simpler expense dissections as broadly as it pleases, spreading them out according to the bases outlined in this report. It will be readily seen that under this plan all stores, both large and small, will point up to the same final recapitulation under these five general headings.

MERCHANDISE PURCHASES vs. EXPENSE EXPENDITURES

Practically all of the expenditures of a Retail Store, excepting certain charges to Capital Accounts, are chargeable to two accounts:

1. The Purchase Account, which should include nothing but what may properly be considered as a part of the cost of merchandise.
2. The Expense Account, which should include all of the various costs of operating the business as distinguished from the cost of merchandise to be sold.

Some confusion both in theory and practice exists on this point, and for the sake of brevity, we list below under separate headings certain items which are, we think, improperly handled in some stores:

- A. Items charged to cost of merchandise through the Purchase Account, which, in our opinion, should be charged to Expense.
 1. Buyers' Salaries and Traveling Expense.
 2. Premiums for selling merchandise.
 3. New York and Foreign buying office expense.
 4. Receiving and Marking expense.
- B. Items charged to Operating Expense, which, in our opinion, should be charged to cost of merchandise through the Purchase Account.
 1. Transportation on Merchandise from factory to store.
 2. Alteration and Busheling Costs, including pay roll.
 3. Manufacturing costs, including pay roll.

THE MAJOR ITEMS OR DIVISIONS OF EXPENSE

The expense expenditures of a Retail Store fall naturally into sixteen major items or divisions, as follows:

1. *Pay Roll*, including Salaries, Wages, Commissions, Premiums, Bonuses, (excepting Heat, Light and Power, and Delivery Department Pay Roll).
2. *Rentals* or Interest on Value of Owned Premises.
3. *Advertising*—Newspaper, Catalog and Circular.
4. *Taxes*.
5. *Supplies*.
6. *Delivery*, including pay roll.
7. *Unclassified* items.
8. *Traveling*.
9. *Heat, Light and Power*, including pay roll.
10. *Communication* (Telephone, Telegraph, Cable, Postage, etc.).
11. *Fixtures* and Repairs to and replacements of.
12. *Insurance*.
13. *Depreciation* (except on Merchandise).
14. *Maintenance* of Buildings.
15. *Legal Expense*, Collection Fees and Credit Information.
16. *Contributions* and Gifts.

(See comments on Pages 7 to 9 of this Volume.)

The foregoing order of arrangement of items is not vital. Other groupings are not objectionable if it is found that they match the accounting practice of the store using them. This arrangement is suggested because the items follow one another in the order of the probable size of the expenditure.

NOTE.—Standard Form for comparative summary of total store expenses is shown on Page 2, Volume II.

1. *Payroll* is placed first on the list because it is by far the largest single item of expenditure in a retail store. This account should include all of the salary and wage payments, commissions to salespeople and other bonuses, excepting the payroll necessary for the operation of the heat, light and power plants and in the delivery department. This exception is made because the services represented by these two items of expense may be purchased from outside sources without the expenditure of wages to employees of the retail store. Supper money paid to employees is also included here. The classified list of payroll expenditures shown on Pages 13 to 16, Volume II, Alternate Forms 6 and 7, may be condensed for use in a small store, or elaborated as much as may be desired for use in the larger stores.

2. *Rentals or Interest on Valuation of Owned Premises* is intended to cover all rents paid for the premises occupied or its equivalent in a fair interest rate on the proper valuation of the premises occupied by the owners. It is obviously unfair to exclude interest on owned premises as a part of rent charges for the reason that the capital invested in such premises is entitled to a fair interest on the investment; and this return on the investment is as much a part of the cost of operating the store as is rent paid on leased premises. In some establishments, both land and buildings are owned in fee by the company—some lease the entire premises—again, others own part and are lessees of the balance of the store. A rental basis must be established and does exist, whether it be evidenced by actual payments to a landlord, or by interest on a capital investment in land and buildings or both. This item may be divided into sub-headings as extensively as desired. See Pages 5 and 6, Vol. II.

3. *Advertising—Newspaper, Catalog and Circular.* This item is intended to cover the expenditures for advertisements of all kinds, details of which may be elaborated or condensed to fit the need of the particular store. See Page 7, Vol. II.

4. *Taxes* are of two kinds—those which are really a part of rental expense, as the taxes on land and buildings occupied, either owned or leased; and the various kinds of taxes on personal property, franchise taxes, income taxes, etc., which are not a part of rental expense. See Pages 3 and 5, Vol. II.

5. *Supplies.* This item is explained by the various subdivisions indicated on Pages 3, 5, 7, 8 and 9, Vol. II. The items may be amplified as much as desired.

6. *Delivery* is intended to cover all the cost of handling “sent” packages from the time they leave the bundle desk until they are delivered to the customer. This service may be purchased without the incurring of payroll expense, and, therefore, the item of delivery payroll is taken out of Division 1 and included here, in order that proper comparisons may be made. See Page 9, Vol. II, for items, and Page 12, Vol. II, for a proposed standard report on delivery expense. The unit of cost in delivery expense is the cost in cents per package handled. The percentage to sales will vary with the character of the business, depending upon the proportion of packages delivered to the total number of sales made.

7. *Unclassified Items.* These include all of the miscellaneous items which cannot be classified under the other headings in this list of expense expenditures. See pages 2, 3, 5, 7, 8 and 9, Vol. II.

8. *Traveling Expense.* See Pages 3, 7, 8, 9, Volume II, for details.

9. *Heat, Light and Power, Including Payroll.* As this is a service which may be purchased outside of the retail store, the payroll cost of stores manufacturing their own heat, light and power should be included. The unit of cost should be shown in cents per kilowatt hour, if electric current is used, as well as in percentage to volume of net sales. See Page 5, Volume II.

10. *Communication* includes cost of expenditures for postage, telephone, telegraph, cable and wireless communication. See pages 3, 7, 8, Volume II.

11. *Fixtures and Repairs to and Replacement of* includes the purchase of new fixtures not properly chargeable to capital account, repairs to fixtures and replacements of all fixtures. The items making up this class of expenditures can be elaborated to suit the needs of each store. See Pages 6 and 7, Volume II.

12. *Insurance* includes all forms of insurance. See Pages 4 and 6, Volume II.

13. *Depreciation, Except on Merchandise.* This item includes all depreciation (except on merchandise which is not a proper expense charge) including reserves for depreciation of fixtures; deferred expense expenditures, if any; for doubtful accounts and bad debts. See Pages 4 and 6, Volume II.

14. *Maintenance of Building.* The item is self-explanatory, details of which may be elaborated. See Page 6, Volume II.

15. *Legal Expense, Collection Fees and Credit Information.* This item includes all of the expenditures indicated by the heading. See Page 4, Volume II.

16. *Contributions and Gifts.* This item is self-explanatory and while probably the smallest of the total expenditures of the store should be kept separately, especially on account of the requirements of the Federal Income Tax Law. See Pages 4 and 7, Volume II.

GROUPING OF EXPENSE EXPENDITURES

The sixteen major items or natural divisions of expense, referred to on Page 6 of this Volume, can, and should be grouped under five main headings, as follows:

1. General or Administrative Expense
2. Occupancy Expense.
3. Publicity Expense.
4. Buying Expense.
5. Selling Expense.

This grouping of expense expenditures is along the line of the operating function of a retail store and makes for easy and simple comparison and effective control. Each one of these five main groups contain some, but not all, of the sixteen natural divisions referred to on Page 6, Vol. I. The chart on Page 17, Vol. II, illustrates clearly the grouping of the sixteen natural divisions under the five main headings.

The merchant who feels that the size of his business does not require the maximum of detail as outlined herein, will find these main headings especially suited to the more simple accounting systems and at the same time, it will permit, without undue labor, proper conformance to a standard, which it is hoped will be generally adopted by both large and small stores.

1. *General or Administrative Expense.*

This will contain all of the expense expenditures not included in the other four items. The term General or Administrative Expense is used because it is more accurately descriptive of the items than any other language. See Pages 3 and 4, Vol. II, for items making up this group of expense.

2. *Occupancy Expense.*

So far as our committee was aware, this is a new term in the expense classification of a retail store. Many of the items included under this heading have hereto-

fore been included in the General Expense grouping. But as it seems desirable to eliminate so far as possible the items of "General Expense" and put them where they belong, it seemed wise to suggest this new name for a large expenditure. This item includes all of the items ordinarily charged under the heading of Rentals, and in addition thereto all of the expense having to do with or necessary to maintain the store building or buildings in condition for its primary use, that is, the selling of merchandise. The items are indicated in detail on Pages 5 and 6, Vol. II.

3. *Publicity Expense.*

This item includes all of the necessary expense expenditure of the Publicity function of the retail store. See Page 7, Vol. II, for details. In some stores, publicity expense is a part of selling expense, but it seems advisable to suggest a distinct separation of these two functions, at least so far as comparisons of expense are concerned. In the larger stores of this country, the publicity function is administered and directed by a group of people usually entirely separated from the selling function. The purpose of the publicity or advertising organization is primarily to induce the public to come into the store. It is true that many of the other functions, as well, as selling for example, have great publicity value, and it is unquestionably true that the character of the merchandise itself draws customers again and again to the store. These, however, are indirect or collateral avenues of publicity, and as such, are not taken into account in this expense classification. See Page 7, Vol. II.

4. *Buying Expense.*

This grouping covers a very distinct and separate function of most stores, although in many stores individuals perform more than one function. They may buy merchandise and direct the selling or actually sell merchandise in certain departments. In such instances their salaries should be divided between the two functions.

In the larger stores, however, the buying organization does not direct the selling function or the advertising function, and as it is an important and vital part of the work of the store, the expense of carrying it on should be clearly indicated. See Page 8, Vol. II.

5. *Selling Expense.*

Under this item on Page 9, Vol. II, is indicated in detail all of the items which go to make up the total cost of selling merchandise.

Comparisons of Selling costs are more frequently sought than any other division of Expense Expenditures. More difficulty is found in securing figures made up on a like basis in this item than in all others.

The classification on Page 9, Vol. II, is arranged not only with a view of total costs but also to show the cost and percent of cost to sales of salespeople's wage, etc. Comparisons with different stores will show wide variations in Selling costs, depending particularly on the character of the business and the rate of wages paid.

The establishment of standards by which the selling expense by departments is shown, will be helpful.

DISTRIBUTION OF EXPENSE TO DEPARTMENTS

The distribution of *all* expense expenditures to selling departments is generally recognized as desirable, although some successful houses do not carry their department accounting beyond the determination of gross profits. Most stores, however, want to know whether or not departments are profit-making departments, and this can be determined only when *all* expenses are divided equably among *all* departments.

There is general agreement to the proposition that, whenever possible, expense should be charged directly to the department where it belongs; for example, the salary of a buyer and of salespeople concerned only with one department constitutes a direct charge to that department under buying expense and selling expense respectively. Likewise, the cost of a newspaper advertisement should be apportioned among the departments using it as a direct charge.

Distribution of all expenses should be made in the following manner:

1. To selling departments directly, wherever possible.
2. In all other cases not covered by 1—To selling departments by one or more of the following methods:
 - (a) Basis of sales or volume.
 - (b) Basis of cost of work done when possible; otherwise same as (a).
 - (c) Basis of average cost stock.
 - (d) Basis of direct rental charge as fixed by (h).
 - (e) Basis of total direct publicity charge (f) and (g).
 - (f) Basis of direct window charge.
 - (g) Basis of direct advertising charges.
 - (h) Basis of arbitrary fixed values of space occupied.
 - (i) Basis of space used.
 - (j) Basis of cost purchases.
 - (k) Basis of number of sales or sales tickets.
 - (l) Basis of number of packages delivered and returned.

It has been the practice for a long time among retail stores to combine all the expenses not naturally and directly chargeable to the selling sections into one amount which was pro-rated among the sections either upon a basis of sales or upon some other similar basis. It is astonishing how much of this so-called "store overhead" may be distributed to the selling departments equably and easily upon the basis here outlined and thus may be lifted out of the final sum which can be distributed only arbitrarily on the basis of sales or otherwise.

The objection that may naturally occur to the management of a small retail business, is that this method is too complicated and expensive; but when once the expenses of the whole business are grouped under the five simple Main Headings, namely, General, Occupancy, Publicity, Buying and Selling, the distribution upon the basis above outlined becomes comparatively easy. These methods of proration are here grouped under the five main headings as they apply to the various items under those headings.

General and Administrative Expense:

- (a) Basis of sales or volume.
- (b) Basis of cost of work done, when possible; otherwise sales.
- (c) Basis of average cost stock.

Occupancy Expense:

- (d) Basis of direct rental charge as fixed by (h).
- (h) Basis of arbitrary fixed values of space occupied.

Publicity Expense:

- (a) Basis of sales or volume.
- (e) Basis of total direct publicity charge (f) and (g).
- (f) Basis of direct window charges.
- (g) Basis of direct advertising charges.
- (h) Basis of arbitrary fixed values of space occupied.
- (i) Basis of space used.

Buying Expense:

- (j) Basis of cost purchases.

Selling Expense:

- (a) Basis of sales or volume.
- (b) Basis of cost of work done when possible; otherwise sales.
- (k) Basis of number of sales.
- (l) Basis of number of packages delivered and returned.

This classification has been tried out thoroughly by some of the members of the Association and it has been found entirely practicable, inexpensive and very illuminating. One of its chief advantages lies in the opportunity to lift out of the general expense division a large portion of what has been, up to this time, wrongfully included there in so-called "store overhead."

Standard Form for Expense Report:

The Standard Form shown on Page 10 of Vol. II, is recommended. It is to be noted that under *each main division* certain of the sixteen natural divisions are indicated and that each natural division has one or more sub-divisions. It should be optional with each store whether fewer or more subdivisions are used provided care is used to place them under the proper natural division.

General or Administrative Expense.....	Pages 3 & 4, Vol. II.
Occupancy Expense	" 5 & 6, "
Publicity Expense	" 7 "
Buying Expense	" 8 "
Selling Expense	" 9 "
Summary of Total Expense Expenditures.....	" 10 "

In using this form of report it will be wise to include figures for at least three years' comparison if convenient; more would be better, especially in using expense percents.

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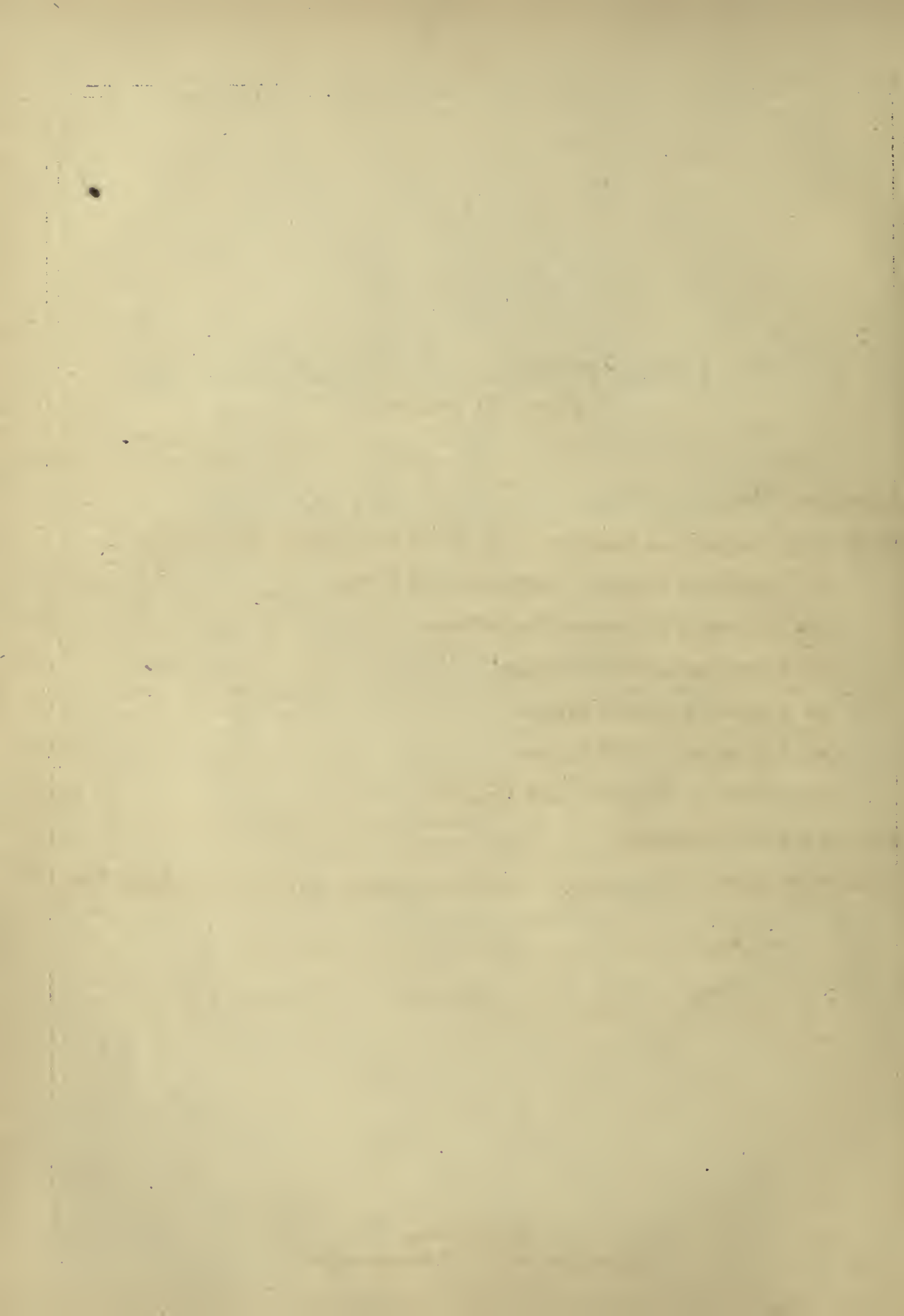
The Classification and Distribution of Expense in Retail Stores

**Report of Committee of
The National Retail Dry Goods Association**

VOLUME II

**Proposed Expense Classification
with Standard Forms**

PRICE TO NON-MEMBERS \$25.00 VOLS. I AND II



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INTRODUCTORY NOTE

The Expense Classification has been arranged under a numerical system to facilitate the accounting operation and to provide identification of the various main and sub-classifications.

It is not necessary to adopt the numerical system presented here, if it does not accord with the particular numbering or "mnemonic" system of any store. The committee has selected a simple standard which has, in its opinion, the widest application. Any other good indexing system will serve as well perhaps, as this, or in the smaller accounting, none may be necessary; it is, however, advisable to have the various names of expense items represented by some abbreviated symbol, because it aids in identifying the various items to be posted and saves considerable time spent in writing out the full word.

The Classification includes—

1. The sixteen natural divisions of expense.
2. Complete Classification showing how these natural divisions are grouped under five main headings.
3. Alphabetic symbols indicating the proper method of distribution to the selling sections.
4. Three years' comparisons with percentages to sales.

This volume has been so arranged that those who desire may actually use the forms contained within.

THE [illegible]

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[illegible text]

[illegible text]

[illegible text]

[illegible text]

COMPARATIVE SUMMARY
of
THE MAJOR OR NATURAL DIVISIONS OF EXPENSE

	191	191	191
1 Pay Roll			
% to Net Sales			
2 Rentals			
% to Net Sales			
3 Advertising			
% to Net Sales			
4 Taxes			
% to Net Sales			
5 Supplies			
% to Net Sales			
6 Delivery			
% to Net Sales			
Average Cost per Package			
7 Unclassified			
% to Net Sales			
8 Traveling			
% to Net Sales			
9 Heat, Light and Power			
% to Net Sales			
10 Communication			
% to Net Sales			
11 Fixtures, Repairs and Replacements			
% to Net Sales			
12 Insurance			
% to Net Sales			
13 Depreciation			
% to Net Sales			
14 Maintenance of Buildings			
% to Net Sales			
15 Legal and Credit Fees			
% to Net Sales			
16 Contributions			
% to Net Sales			
TOTAL STORE OPERATING EXPENSE			
% to Net Sales			

COMPLETE EXPENSE CLASSIFICATION

	191	191	191
I. GENERAL OR ADMINISTRATIVE EXPENSE (Nos. 101 to 299)			
1. <i>General or Administrative Pay Roll</i>			
101 Proprietor or Chief Executive and Assts. (a)			
102 Office Pay Roll (b)			
103 Superintendent and Assts. (a)			
104 Telephone Operators (a)			
105 Purchasing Dept. (a)			
106 Employment Dept. (b)			
107 Post Office (a)			
108 Educational (a)			
109 Welfare and Hospital (a)			
110 Information Bureau, Telegraph and Ticket Office (a)			
TOTAL			
% to Net Sales			
4. <i>Taxes</i>			
141 On Merchandise (c)			
142 Corporation Tax (a)			
143 Federal Income Tax (a)			
144 Other taxes (a) (not including land or bldgs.)			
TOTAL			
% to Net Sales			
5. <i>Supplies</i>			
151 Office Supplies (a)			
152 Misc. Supplies (a)			
TOTAL			
% to Net Sales			
7. <i>Unclassified</i>			
171 Unclassified (a)			
TOTAL			
% to Net Sales			
8. <i>Traveling</i>			
181 Traveling (a)			
TOTAL			
% to Net Sales			
10. <i>Communication</i>			
201 Postage (a)			
202 Telephone (a)			
203 Telephone Toll Calls (b)			
204 Telegrams (b)			
205 Cablegrams (b)			
206 Wireless (b)			
TOTAL			
% to Net Sales			

NOTE.—It should be remembered that wherever expenses can be charged *directly to the selling section*, the letter in parenthesis does not apply.

(1) (2) (3)

THE HISTORY OF THE CITY OF BOSTON

THE HISTORY OF THE CITY OF BOSTON

THE HISTORY OF THE CITY OF BOSTON

THE HISTORY OF THE CITY OF BOSTON

THE HISTORY OF THE CITY OF BOSTON

THE HISTORY OF THE CITY OF BOSTON

THE HISTORY OF THE CITY OF BOSTON

<i>12. Insurance</i>			
231 On Merchandise (c)	191	191	191
232 Public Liability (a)	.....	.....	.....
233 Workmen's Compensation (a)	.....	.....	.....
234 Burglary (a)	.....	.....	.....
235 Surety Bonds (a)	.....	.....	.....
TOTAL	.....	.....	.....
% to Net Sales	.....	.....	.....
<i>13. Depreciation</i>			
241 On Receivables (a)	.....	.....	.....
242 Bad Debts (a)	.....	.....	.....
243 Deferred Expenses (a)	.....	.....	.....
TOTAL	.....	.....	.....
% to Net Sales	.....	.....	.....
<i>15. Legal Expense</i>			
261 Attorney's Fees (a)	.....	.....	.....
262 Collection Fees and Expense (a)	.....	.....	.....
TOTAL	.....	.....	.....
% to Net Sales	.....	.....	.....
<i>16. Contributions</i>			
271 Contributions (a)	.....	.....	.....
272 Gifts (a)	.....	.....	.....
TOTAL	.....	.....	.....
% to Net Sales	.....	.....	.....
TOTAL GENERAL OR ADMINISTRATIVE EXPENSE	.....	.....	.....
% to Net Sales	.....	.....	.....

NOTE.—It should be remembered that wherever expenses can be charged *directly to the selling section*, the letter in parenthesis does not apply.

	191	191	191
II. OCCUPANCY EXPENSE (Nos. 300 to 499)			
1. <i>Occupancy Pay Roll (Except Heat, Light and Power, Pay Roll (d))</i>			
301 Superintendent and Staff (d)			
302 Protection (d)			
303 Operation (d) elev. oper., eng., elec., carpenters, et cetera			
304 Housekeeping (d) Porters, Cleaners, etc.			
305 Warehouse Superintendent and Asst. (d)			
TOTAL			
% to Net Sales			
2. <i>Rentals</i>			
321 Rental of Leased Store Buildings (h)			
322 Interest on owned Buildings (h)			
323 Rental, other Buildings (h)			
TOTAL			
% to Net Sales			
324 Credit by rentals chgd. to other accounts			
NET RENTALS			
% to Net Sales			
4. <i>Taxes</i>			
341 Taxes on Land and Buildings (h)			
TOTAL			
% to Net Sales			
5. <i>Supplies</i>			
351 Protection (d)			
352 Operating (d)			
353 Housekeeping (d)			
354 Unclassified (d)			
TOTAL			
% to Net Sales			
7. <i>Unclassified</i>			
371 Unclassified (d)			
TOTAL			
% to Net Sales			
9. <i>Heat, Light and Power</i>			
391 Pay Roll (d)			
392 Coal (d)			
393 Water (d)			
394 Supplies (d)			
395 Repairs			
396 Rent for Space (d)			
397 Depreciation on Plant (d)			
398 Current Purchased (d)			
399 Heat Purchased (d)			
TOTAL			
Cost per K. W. H.			
% to Net Sales			
Credit by charges to other accounts			
NET TOTAL, Heat, Light and Power			
% to Net Sales			

NOTE.—It should be remembered that wherever expenses can be charged *directly to the selling section*, the letter in parenthesis does not apply.

<i>11. Fixtures, Repairs and Replacements</i>			
	191	191	191
411 Office, Fixtures and Repairs (a)			
412 Carpet Replacements (d)			
413 Permanent Fixture Repairs (d)			
414 Selling Fixtures (d)			
TOTAL			
% to Net Sales			
<i>12. Insurance</i>			
421 Fire Insurance on Buildings (h)			
422 Fire Insurance on Fixtures (d)			
423 Rental Insurance (d)			
424 Boiler Insurance (d)			
425 Plate Glass Insurance (d)			
426 Liability Insurance for Landlord (d)			
427 Use and Occupancy Insurance (d)			
TOTAL			
% to Net Sales			
<i>13. Depreciation</i>			
431 Depreciation of Capitalized Fixtures (d)			
432 Depreciation of Buildings (d)			
TOTAL			
% to Net Sales			
<i>14. Maintenance of Buildings</i>			
441 Repairs to Buildings (d)			
442 Alterations to Buildings (d)			
TOTAL			
% to Net Sales			
TOTAL OCCUPANCY			
% to Net Sales			

NOTE.—It should be remembered that wherever expenses can be charged *directly to the selling section*, the letter in parenthesis does not apply.



	191	191	191
III. PUBLICITY EXPENSE (500 to 699)			
1. <i>Publicity Pay Roll</i>			
501 Advertising Mgr. and Asst. (e)			
502 Decorators and Window Trimmers (f)			
503 Artist, Copywriters and Proofreaders (g)			
504 Other Pay Roll (g)			
TOTAL			
% to Net Sales			
2. <i>Rentals</i>			
521 Window Rentals (h)			
522 Other Publicity Rentals (e)			
TOTAL			
% to Net Sales			
3. <i>Advertising</i>			
531 Newspapers (i)			
532 Catalogs (i)			
533 Circulars (i)			
534 Periodicals and Programs (i)			
535 Drawings and Electrotypes (e)			
536 Other Advertising, Bill boards, (signs, et cetera) (e)			
537 General Adv. Headings, Announcements, (et cetera) (a)			
TOTAL			
% to Net Sales			
5. <i>Supplies</i>			
551. Stationery (e)			
552 Decorations (e)			
553 Auditorium (e)			
554 Unclassified (e)			
TOTAL			
% to Net Sales			
7. <i>Unclassified</i>			
571 Unclassified (e)			
TOTAL			
% to Net Sales			
8. <i>Traveling</i>			
581 Travel for Publicity Purposes (a)			
TOTAL			
% to Net Sales			
10. <i>Communication</i>			
610 Postage (g)			
611 Telephone (g)			
612 Telegrams (g)			
613 Cable (g)			
TOTAL			
% to Net Sales			
11. <i>Fixtures—Repairs and Replacements</i>			
620 Fixtures—Repairs and Replacements, to (f)			
TOTAL			
% to Net Sales			
16. <i>Contributions</i>			
661 Contributions charged to Publicity (a)			
TOTAL			
% to Net Sales			
TOTAL PUBLICITY EXPENSE			
% to Net Sales			

NOTE.—It should be remembered that wherever expenses can be charged *directly to the selling section*, the letter in parenthesis does not apply.

191

191

191

IV. BUYING EXPENSE (Nos. 700 to 899)

1. Buying Pay Roll

- 701 Mdse., Mgr. and Assts. (j) see foot note
 702 Buyers and Assts. (j)
 703 New York and Foreign Office (j)
 704 Mdse. Comparison (j)
 705 Bonuses and Commissions (j)
 706 Receiving and Marking Room Wages (j)

TOTAL

% to Net Sales

2. Buying Rentals

- 721 New York and other Buying Offices (j)

TOTAL

% to Net Sales

5. Buying Supplies

- 751 Stationery (j)
 752 Periodicals (j)
 754 Other Supplies (j)

TOTAL

% to Net Sales

7. Unclassified

- 771 Unclassified Items (j)

TOTAL

% to Net Sales

8. Traveling

- 781 Domestic (j)
 782 Foreign (j)

TOTAL

% to Net Sales

10. Communication

- 810 Postage (j)
 811 Telephone (j)
 812 Telegraph (j)
 813 Cable (j)

TOTAL

% to Net Sales

TOTAL BUYING EXPENSE

% to Net Sales

NOTE.—It should be remembered that wherever expenses can be charged *directly to the selling section*, the letter in parenthesis does not apply.

V. SELLING EXPENSE (Nos. 900 to 1099)	191	191	191
1. <i>Selling Pay Roll (Exc. Del. Pay Roll)</i>			
901 Sales Mgr. and Assts. (a)			
902 Floor Mgrs. and Assts. (a)			
903 Sales Force (a)			
% to Net Sales			
904 Commission (a)			
905 Premiums (a)			
906 Bonuses (a)			
907 Stockpeople (a)			
908 Cashiers and Examiners (a)			
909 Mail and Telephone Order Dept. (b)			
910 Adjustment Bureau (b)			
TOTAL			
% to Net Sales			
5. <i>Supplies</i>			
951 Salesbooks (k)			
952 Boxes (k)			
953 Wrapping Paper (k)			
954 Twine (k)			
955 Tags and Tickets (k)			
956 Miscellaneous (k)			
TOTAL			
% to Net Sales			
6. <i>Delivery</i>			
961 Package Collectors' Wage (l)			
962 Shipping Dept. Wages (l)			
963 Delivery Dept. Wages (l)			
964 Express and Freight (l)			
965 Postage on Parcels (l)			
966 Special Messengers (l)			
967 C. O. D. Collection Charges (l)			
968 Packing Supplies (l)			
969 Gasoline, Oil and Grease (l)			
970 Electric Current (l)			
971 Depreciation on Vehicles (l)			
972 Insurance on Vehicles, Inc. Liability (l)			
973 Garage Rentals or Interest on Owned Prem. (l)			
974 Repairs to Equipment (l)			
975 Repairs and Replacements to Ship. Rm. Fix. (l)			
976 Unclassified (l)			
977 Delivery Service Purchased (l)			
978 Damage and Loss on Pkgs. (l)			
979 Uniforms (l)			
980 Bonds (Surety and Fidelity) (l)			
TOTAL			
% to Net Sales			
Avg. per Pkg.			
7. <i>Unclassified</i>			
980 Unclassified Items (a)			
TOTAL			
% to Net Sales			
8. <i>Traveling</i>			
991 Traveling Salesmen (a)			
992 Other Travel (a)			
TOTAL			
% to Net Sales			
TOTAL SELLING EXPENSE			
% to Net Sales			

NOTE.—It should be remembered that wherever expenses can be charged *directly to the selling section*, the letter in parenthesis does not apply.

SUMMARY OF EXPENSE EXPENDITURES

(Figures are imaginary) (Forms can be ruled, if preferred.)

	Totals	General	Occupancy	Publicity	Buying	Selling
1 Pay Roll	155000	10000	10000	10000	35000	90000
% to Net Sales	15.5	1.0	1.0	1.0	3.5	9.0
2 Rentals	35000		25000	10000		
% to Net Sales	3.5		2.5	1.0		
3 Advertising	20000			20000		
% to Net Sales	2.0			2.0		
4 Taxes	11000	1000	10000			
% to Net Sales	1.1	.1	.0			
5 Supplies	15500	1000	2000	2000	500	10000
% to Net Sales	1.55	.1	.2	.2	.05	1.0
6 Delivery	15000					15000
% to Net Sales	1.5					1.5
7 Miscellaneous	7500	1500	1000	2000	500	2500
% to Net Sales	.7	.1	.1	.2	.05	.25
8 Traveling	5500	500			5000	
% to Net Sales	.55	.05			.5	
9 Light, Heat and Power	5000		5000			
% to Net Sales	.5		.5			
10 Communication	1500	500		500	500	
% to Net Sales	.15	.05		.05	.05	
11 Fixtures—Rep. and Rep.	3000		3000			
% to Net Sales	.3		.3			
12 Insurance	1500	1000	500			
% to Net Sales	.15	.1	.05			
13 Depreciation	1500	1000	500			
% to Net Sales	.15	.1	.05			
14 Maintenance of Bldg.	1000		1000			
% to Net Sales	.1		.1			
15 Legal and other Fees	1000	1000				
% to Net Sales	.1	.1				
16 Contributions	1000	500		500		
% to Net Sales	.1	.05		.05		
TOTALS	280000	18000	58000	45000	41500	117500
% to Net Sales	28.0	1.8	5.8	4.5	4.15	11.75

NOTE.—Comparisons for three years are provided for in the Standard Form shown on page 2, and in the Main Headings of the Detailed Classification as well.

DEPARTMENT EXPENSE REPORT

(Figures are imaginary)

Dept. Number	Department		Totals	General	Occupancy	Publicity	Buying	Selling
100	Gloves	1914	\$2800.	\$180.	\$580.	\$450.	\$415.	\$1175.
		%	28.0	1.8	5.8	4.5	4.15	11.75
		1915	3000.	180.	600.	480.	480.	1260.
		%	25.0	1.5	5.0	4.0	4.	10.5
		1916						
		%						
110	Hosiery	1914						
		%						
		1915						
		%						
		1916						
		%						
120	Neckwear	1914						
		%						
		1915						
		%						
		1916						
		%						
130	Laces	1914						
		%						
		1915						
		%						
		1916						
		%						
140	Silks	1914						
		%						
		1915						
		%						
		1916						
		%						

	1913				1914				1915			
	Pkgs. Handled Del.-Ret.	Cost	Average Cost Per Pkg.	Packages Handled Del.-Ret.	Cost	Average Cost Per Pkg.	Packages Handled Del.-Ret.	Cost	Average Cost Per Pkg.	Packages Handled Del.-Ret.	Cost	Average Cost Per Package
<i>Handled by</i>												
Express and Frt. Cos. (a)												
Outside Spec. Mes'ngers (b)												
Our Special Boys (c)												
Mail—Parcel Post (d)												
Furn.—Vans & Trucks (e)												
Our Package Auto'bile (f)												
Other Automobiles (g)												
TOTAL												
Deliveries												
Returns and Calls												
TOTAL												
Shipping Dept. Pay Roll (h)												
Shipping Dept. Expense (k)												
TOTAL												

Class No.	Items	Amount	Amount	Amount
961	Package Collectors' Wage (h)	.....	.....	.....
962	Shipping Dept. Wages (h)	.....	.....	.....
963	Delivery Dept. Wages (h)	.....	.....	.....
964	Express & Frt., Out & Return (a)	.....	.....	.....
965	Postage on Parcels (d)	.....	.....	.....
966	Special Messengers (b)	.....	.....	.....
967	C. O. D. Collection Chgs. (a)	.....	.....	.....
968	Packing Supplies (k)	.....	.....	.....
969	Gasoline, Oil and Grease (f)	.....	.....	.....
970	Electric Current (f)	.....	.....	.....
971	Depreciation on Vehicles (f)	.....	.....	.....
972	Insurance on Vehicles, including Liability (f)	.....	.....	.....
973	Garage Rentals and Int. (f)	.....	.....	.....
974	Repairs to Equipment (f)	.....	.....	.....
975	Repairs and Replacements, to Shipping Room Fixtures (k)	.....	.....	.....
976	Unclassified (f)	.....	.....	.....
977	Delivery Service Purchased (g)	.....	.....	.....
978	Damage and Loss on Pkgs. (k)	.....	.....	.....
979	Uniforms (k)	.....	.....	.....
980	Bonds (Surety and Fidelity) (k)	.....	.....	.....

CLASSIFIED LIST OF PAY ROLL EXPENDITURES

	Week Ending.....		
	Month Ending.....		
	191	191	191
1. Administrative and General Pay Roll			
101 Proprietor or Chief Executive and Asst.			
102 Accounting Office			
(a) Office Mgr. and Assts.			
(b) Credit Mgr. and Assts.			
(c) Bill Adjuster and Assts.			
(d) Billing and Bkpg. Section			
(e) Return Mdse. Auditor			
(f) C. O. D. Cashier and Assts.			
(g) Sales Auditing			
(h) Cost Auditing			
(i) Mdse. Bureau			
(j) Accts. Payable for Mdse.			
(k) Accts. Payable for Expense			
(l) Import Bureau			
(m) Stenographic Bureau			
(n) Cashiers			
103 Superintendent and Assts.			
104 Telephone Operator			
105 Purchasing Dept.			
106 Employment Bureau			
107 Post Office			
108 Educational Bureau			
109 Welfare and Hospital			
110 Information Bureau			
Telegraph and Ticket Office			
TOTAL ADMINISTRATIVE PAY ROLL			
% to Net Sales			
2. Occupancy Pay Roll			
301 Superintendent of Maintenance and Assts.			
302 Protection (Secret Service)			
303 Operation			
(a) Elevator Operators			
(b) Engineer			
(c) Carpenter			
(d) Janitor			
(e) Electrician			
304 Housekeeping			
(a) Night Men, Porters and Cleaners			
(b) Maids			
(c) Footmen			
(d) Laundry Operators			
305 Warehouse Supt. and Assts.			
391 Power Plant Pay Roll			
TOTAL OCCUPANCY PAY ROLL			
% to Net Sales			
3. Publicity Pay Roll			
501 Adv. Mgr. and Assts.			
(a) Store			
(b) Basement			
502 Display Decorator and Window Trimmers			
503 Artists, Copywriters and Proofreaders			
504 Other Pay Roll (Multigraph and Addressograph Operators, etc.)			
TOTAL PUBLICITY PAY ROLL			
% to Net Sales			

	Week Ending.....		
	Month Ending.....		
<i>4. Buying Pay Roll</i>	191	191	191
701 Mdse. Mgr. and Assts.			
702 Buyers and Assts. (by sections)			
703 New York and Foreign Office Salaries			
704 Mdse. Comparison Bureau			
705 Bonus and Commissions to Buyers			
706 Receiving and Marking Room			
TOTAL BUYING PAY ROLL			
% to Net Sales			
<i>5. Selling Pay Roll</i>			
901 Sales Mgr. and Assts.			
902 Floor Mgr. and Assts.			
903 Sales Force (by sections)			
904 Commissions			
905 Premiums			
906 Bonuses			
907 Stock-keepers			
908 Cashiers and Inspectors (Examiner or Bundle Wrapper)			
909 Mail and Telephone Orders			
910 Mdse. Adjustment Bureau			
TOTAL SELLING PAY ROLL (Exc. Del.)			
% to Net Sales			
<i>6. Delivery Pay Roll</i>			
961 Package Collection			
962 Shipping Dept.			
(a) Freight, Express			
(b) Parcel Post			
963 Delivery Dept.			
(a) Delivery Mgr. and Assts.			
(b) Drivers			
(c) Wagon Boys			
(d) Special Messengers			
TOTAL SELLING PAY ROLL (Incl. Delivery)			
% to Net Sales			
GRAND TOTAL			
% to Net Sales			

EXPENSE

ADM.& GEN.	OCCUPANCY	PUBLICITY	BUYING	SELLING
1 Pay Roll 4 Taxes 5 Supplies 7 Unclassified 8 Traveling 10 Communication 12 Insurance 13 Depreciation 15 Legal Exp. 16 Contributions	1 Pay Roll 2 Rentals 4 Taxes 5 Supplies 7 Unclassified 9 Lt. Ht. & Power 11 Fix. Rep. & Rep. 12 Insurance 13 Depreciation 14 Maintenance	1 Pay Roll 2 Rentals 3 Adv. 5 Supplies 7 Unclassified 8 Traveling 10 Communication 11 Fix. Rep. & Rep. 16 Contributions	1 Pay Roll 2 Buy. Rentals 5 Supplies 7 Unclassified 8 Traveling 10 Communication	1 Pay Roll 5 Supplies 6 Delivery 7 Unclassified 8 Traveling

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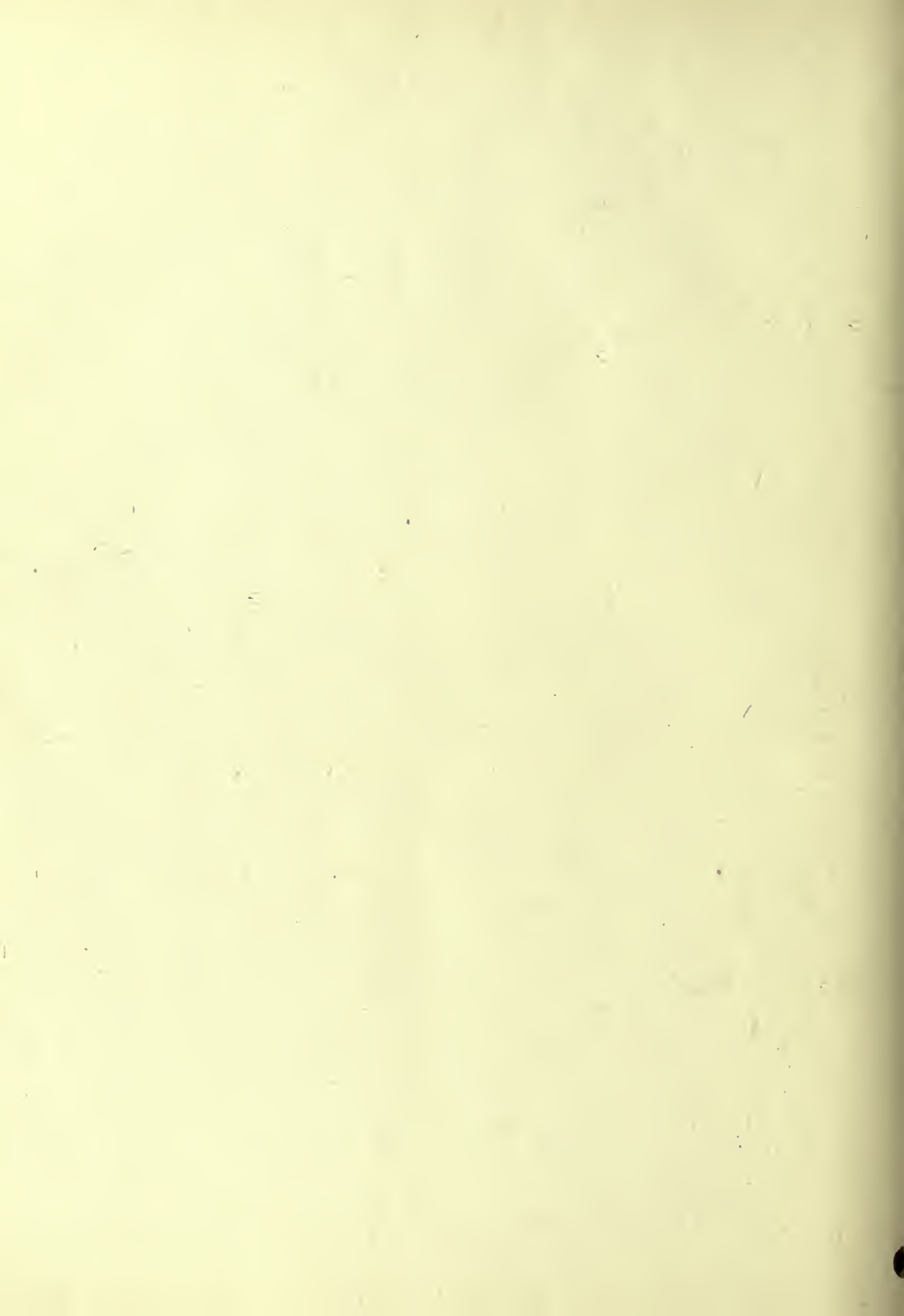
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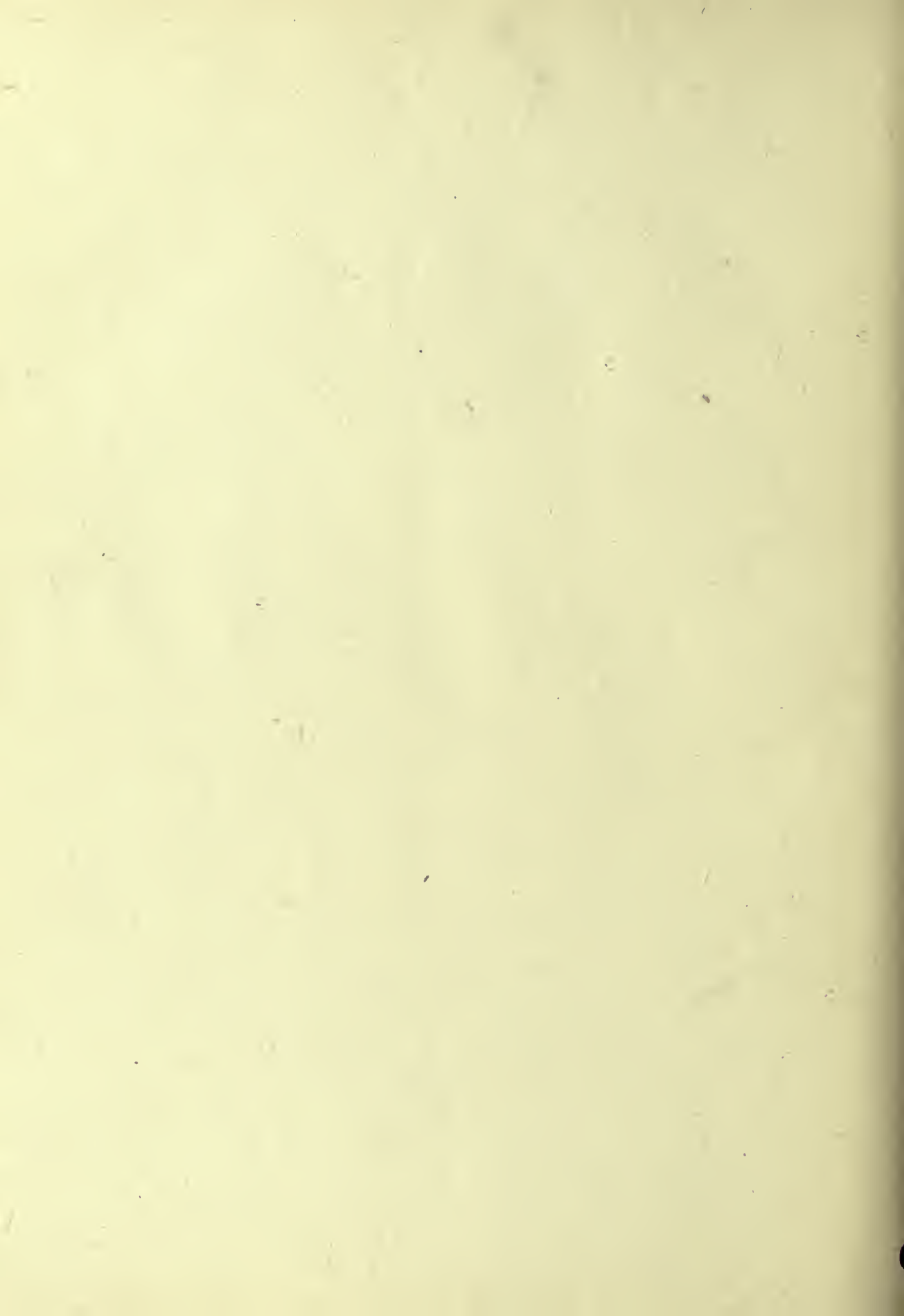
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